

GENERAL INSTRUCTIONS

Who Must File A Business Return: Every Partnership, Corporation, Sole Proprietor, Subchapter – S, Association, Estate or Trust, whether a resident or non-resident who conducts a business as defined by the Brooklyn income tax ordinance must file a tax return on its business activity and pay tax on the net profits.

What Constitutes Net Profits: Net profits shall be determined on the basis of the information used for the same year federal income tax purposes, adjusted to the requirements of the ordinance of Brooklyn. Expenses attributable to non-taxable income are not deductible. Gains and losses from the sale or exchange of capital assets to the extent recognized as capital gains or losses for federal income tax purposes, are not to be considered in arriving at net profits.

How To Treat A Net Loss: The portion of a net operating loss sustained in any taxable year, allocable to Brooklyn may be applied against the portion of the profit of succeeding year(s) allocable to Brooklyn, until exhausted but in no event for more than five (5) taxable years. No portion of a net operating loss shall be carried back against net profits of any prior year. The portion of a net operating loss sustained shall be allocated to Brooklyn in the same manner as provided herein for allocating net profits. The net operating loss of a business which loses its identity through merger, consolidation, etc. shall be allowed as a loss carry-forward deduction to the surviving business entity to the extent permitted by the Internal Revenue Code.

SCHEDULE INSTRUCTIONS

Schedule C, 1120, 1120S, OR 1065 – Profit or loss from a Business or Profession: All business entities must attach a copy of their Federal Schedule. If you had more than one business a separate schedule must be included for each business. An individual taxpayer engaged in two or more taxable business activities in a single municipality may include them in the same return. If your business activity was conducted in more than one municipality, see Schedule Y. (Except Brooklyn residents whose total earnings wherever earned are taxable).

Schedule E – Income from Rents: When the gross monthly rental of any and all real properties aggregates in excess of \$125.00 per month, the owner is considered engaged in a Business Activity and the net income shall be subject to the tax. In the case of Commercial Property, there is no rent limitation on the amount subject to the tax. Appropriate Federal Schedules must be attached. RENTAL LOSSES MAY NOT be used to offset wages, salaries, etc. Loss from ONE city may never offset the gain in another city. (See Business Losses)

Schedule X – Reconciliation With Federal Income Tax Return: This schedule is used to determine how much of your Federal net income (line 1) is subject to the city income tax. Line A – Capital losses from the sale, exchange or other disposition of property shall not be taken into consideration in arriving at net profits earned. Line B – If non-taxable income is deducted (Line Z) the related expenses are not allowed as a deduction from the remaining taxable income. Line C – Federal, State and Local taxes based upon income are not deductible. If the Ohio Franchise Tax is paid on net income, the difference between the equity method and income method must be included on line C. Line N – Capital gains from the sale, exchange or other disposition of property shall not be taken into consideration in arriving at net profits earned.

Schedule Y – Business Allocation Formula: To be used only when the books and records of the taxpayer do not disclose with reasonable accuracy the net profit attributable to Brooklyn. A business allocation formula consisting of the average of property, wages paid, and gross receipts may be used by business entities not required to pay tax on entire net profits, by reason of doing business both within and without the City of Brooklyn boundaries.

Schedule Z – Partnership Distributive Share of Net Income: Must be completed by all partnerships and associations filing returns. Amounts shown in this schedule must correspond with amounts reported on your Federal Partnership Form. Attach a schedule if you need more space.